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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000177

SIPDIS

USTR FOR DAWN SHACKLEFORD, CHRISTIAN DEANGELIS

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TAGS: [EAGR](#) [EAID](#) [ECON](#) [ETRD](#) [IZ](#) [KCOR](#) [PREF](#) [WFP](#)  
SUBJECT: TRADE MINISTER DEFENDS SLOW PROGRESS ON WTO  
ACCESSION

REF: A. 09 BAGHDAD 2374 ET. AL  
[1](#)B. BAGHDAD 1378  
[1](#)C. 09 BAGHDAD 1388

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Classified By: Assistant Chief of Mission for Assistance Transition Patricia Haslach for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary and Comment: In a January 19 meeting, Acting Trade Minister Safaa al-Deen al-Safi told Assistant Chief of Mission for Assistance Transition Patricia Haslach that the GOI was focused on attracting foreign direct investment to Iraq to move its economy away from import dependence. With little manufacturing capacity, few non-oil exports, and a flood of substandard imports distorting domestic markets, membership in the WTO would present additional challenges to (not opportunities for) "reforming Iraq's economy," he said. Despite his reservations, al-Safi predicted that the GOI would submit its Goods Offer -- the primary hurdle to scheduling Iraq's next round of WTO negotiations "in 2010," again walking back the GOI's timeline for Iraq's next round of accession negotiations (ref A). His likely departure from the MOT, no matter the results of forthcoming national elections, and current vacancies in key staff positions within the MOT's WTO Accession Office, makes the process even more ambiguous and leads us to believe that the GOI intends to continue to slow-roll WTO accession. In addition, a growing body of protectionist legislation, championed by National Investment Commission Chairman Dr. Sami al-Araji (who repeated these same WTO points to Econ in a subsequent meeting) may indicate a conscious decision by the Maliki government to pursue economic interests that are not consistent with WTO membership. Al-Safi tentatively agreed to meet with Assistant United States Trade Representative Michael Delaney during Delaney's February visit to Baghdad (and to staff a Joint Coordinating Committee (JCC) Trade and Investment Working Group meeting). AUSTR Delaney's visit provides an opportunity to counter arguments that WTO accession will hurt Iraq's economic recovery. End Summary and Comment.

Progress on World Trade Organization Accession  
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[1](#)2. (C) Despite his "true desire to join the international market," al-Safi told Assistant Chief of Mission for Assistance Transition Haslach that he believed WTO membership would be "detrimental" to Iraq's economy. He predicted that the next round of negotiations would happen in 2010, but also said that the process of WTO accession would need to match the country's "economic improvement." He defined "economic

improvement" as growth in foreign direct investment that would "turn Iraq from an economy of importation to an economy of production."

13. (C) Background Note: The GOI's National WTO Accession Committee, which al-Safi heads, has already approved the submission of a draft Goods Offer to the WTO. Despite statements to the press and private assurances to us that they would do so, we have no evidence that al-Safi, or his representatives, attended the November 30-December 2, 2009, WTO Ministerial Conference in Geneva. We confirmed that he was in Geneva at the time but that he did not submit the completed Goods Offer to the WTO. End Background Note.

14. (C) A subsequent conversation January 22 with Dr. Sami al-Araji, chairman of the National Investment Commission (NIC), indicated that Minister al-Safi's go-slow approach to Q(NIC), indicated that Minister al-Safi's go-slow approach to WTO accession is shared by others in the GOI economic leadership, and is not just an example of al-Safi's famous over abundance of caution. In a meeting to discuss the proposed February meeting of the JCC Trade and Investment Working Group, econoff raised with Dr. Sami our disappointment with al-Safi's WTO message to Haslach two days before, and noted our concern about the protectionist characteristics of two recently passed laws, the Customs Tariff Law and the Iraqi Products Protection Law. To our surprise, Dr. Sami (usually considered relatively progressive) proudly exclaimed that he had been one of the people championing those laws and counseling against rapid movement toward WTO accession. Using arguments parallel to al-Safi's, Dr. Sami claimed that, "At this stage of Iraq's economic development, WTO accession would only hurt our economy. We must build up the economy to a position of strength before we'll be ready to undertake the reforms required by the WTO."

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15. (C) Dr. Sami claimed that watching the U.S. financial "melt-down" of 2008-09 had made him wary of "American-style laissez-faire regulation" and that the GOI now needed to "un-do" some of the rapid economic opening undertaken by the Coalition Provisional Authority (CPA). Pointing to Iraq's millions of unemployed or under-employed former SOE workers, he said, "We have got to put them back to work, making goods for the Iraqi market. Foreign investors can help us get these companies going again. We're being flooded with cheap, low-quality foreign goods and we will never be able to re-start our manufacturing sector under those conditions." Showing his Saddam-era roots, Sami said, "We need a plan that lays out in stages how we will re-build the economy. Our government ministries all operate independently, without coordination. The only way to compel them to work together is with a plan. We can't rely only on the private sector to fix the terrible situation in our economy." Econoff pointed out that submission of the goods and services offers to the WTO was just the beginning of a multi-year discussion; Iraq would have time to make the necessary changes to its economy. Sami replied that Iraq did indeed want to join the WTO, but had to focus on fixing its economy now -- WTO can come later.

16. (C) Comment: It has been clear for some time that Al-Safi is slow-rolling the accession process. In the best case, this is disappointing evidence of the lack of political will for meaningful steps toward WTO accession. In the worst, it indicates a conscious GOI decision to pursue at least some trade policies that are incompatible with the WTO and seek to 'turn back the clock.' In light of al-Safi's and Dr. Sami's comments, Post is considering temporarily suspending the WTO component of USAID's Tijara project, unless AUSTR Delaney's visit motivates the GOI to meaningful steps. Tijara has provided considerable technical and administrative assistance to the GOI in general and the Trade Ministry in particular, most of which the GOI has ignored. End Comment.)

SFA JCC Trade and Investment Working Group

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¶7. (SBU) Haslach previewed the February visit of Assistant United States Trade Representative Michael Delaney and recommended a special meeting of the SFA's JCC Trade and Investment Working Group in advance of the visit. Al-Safi had no objection and recommended post coordinate with NIC Chairman Dr. Sami, who had been named the GOI's new co-chair for the working group, to schedule a time in advance of Delaney's arrival. (Note: Dr. Sami confirmed to us January 22 that he would chair the Iraqi side, and asked if AUSTR Delaney could chair the U.S. team. Sami believes that a senior U.S. chair would make it easier for him to round up senior GOI officials from other agencies. Post supports that recommendation. End Note.)

¶8. (SBU) Haslach noted that AUSTR Delaney would likely raise the following during his visit, among others:

- GOI ratification of a package of bilateral trade, investment and assistance agreements pending in the Council of Representatives since 2005;
- U.S. General System of Preferences (GSP) and progress on labor issues (an ILO-assisted draft labor code has been pending in the Shura Council since 2005);
- Next steps on Iraq's WTO accession and how USTR can be helpful;
- Trade protectionist laws passed by the CoR on January 12 (Customs Tariff Law and Iraqi Products Protection Law) and the importance of observing the WTO's standstill agreement;
- Trade and investment disputes, including Cargill.

Post is working with NIC Chairman Sami al-Araji to schedule the working group meeting.

Comment: Very Little Hope for Action at the Trade Ministry

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¶7. (C) Al-Safi replaced former Trade Minister Dr. Abd al-Fatah al-Sudani, who resigned ahead of his arrest on corruption charges related, in part at least, to his management of the PDS (ref C). Al-Safi simultaneously serves

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as the Minister of State for Council of Representatives Affairs, a position he held before his appointment by PM Maliki to replace al-Sudani. Al-Safi sees his role at the Trade Ministry as caretaker, not trailblazer, an attitude that is likely compounded by the administration's shortening time in office. We did not expect or get much from al-Safi, but, with the upcoming visit of AUSTR Delaney, will continue to keep lines of communication open.

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